

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 EB-11 L-03 H-03 SCSE-00 SCA-01

COME-00 CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01 DRC-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 0103

UNCLAS LONDON 05590

PASS TREASURY FOR: NATHAN GORDON; M.FEINBERG; F.L.WIDMAN

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: U.K. BUDGET - PROPOSED LEGISLATION ON TAXATION
OF INCOME ARISING OUTSIDE THE U.K.; REQUEST FOR
GUIDANCE

REF: LONDON A-334

1. EMBASSY HAS REPORTED PROPOSED U.K. CHANGES IN DETAIL
TO INTERESTED WASHINGTON AGENCIES. FOR EXAMPLE, SEE
REF.

2. ON INFORMAL BASIS, WE HAVE COUNSELED U.S. CHAMBER OF
COMMERCE ON HOW TO PROCEED, WHOM TO CONTACT
IN U.K. ADMINISTRATION IN ORDER TO COMPLAIN ABOUT OR MAKE
COUNTER ARGUMENTS AGAINST PROPOSED TAX CHANGES AND THEIR
EFFECTS ON U.S. BUSINESSMEN AND CORPORATE HEADQUARTERS IMI
U.K. BY SAME TOKEN, WE HAVE POINTED OUT THAT U.K. IS
SOVEREIGN ENTITY, IT PRESUMABLY UNDERSTANDS IMPLICATIONS
OF WHAT IT IS DOING, THAT IT CLAIMS PROPOSED TAX
CHANGES DO NOT CONTRAVENE DOUBLE TAXATION AGREEMENTS, AND
THAT IN U.S., A U.K. NATIONAL CLASSIFIED AS NONRESIDENT
ALIEN PAYS TAX ON ALL U.S. SOURCE INCOME AND, IF
CLASSIFIED AS U.S. RESIDENT, PAYS TAX ON HIS WORLDWIDE
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INCOME.

3. WE ARE RECEIVING INCREASING NUMBER OF REQUESTS FROM U.S. BUSINESS COMMUNITY FOR SOME FORMAL EMBASSY ACTION TO COMPLAIN AGAINST THE PROPOSED U.K. TAX CHANGES. FOR EXAMPLE, ONE REGISTERED LETTER SENT TO AMBASSADOR SAYS IT HAS SEEN REPORTS U.S. EMBASSY IS NOT PLANNING TO GET INVOLVED IN NEW BRITISH TAX LAW WHICH ADVERSELY AFFECTS UNITED STATES CITIZENS, REQUESTS AN EXPLANATION, AND CONSIDERS IT EMBASSY'S DUTY TO INTERVENE ON BEHALF OF U.S. CITIZENS TO MITIGATE PROPOSED U.K. TAX CHANGES.

4. ACTION REQUESTED: EMBASSY CONSIDERS IT HAS GONE ABOUT AS FAR AS IT CAN IN ABSENCE OF FORMAL GUIDANCE FROM WASHINGTON. URGENT GUIDANCE REQUESTED ON HOW TO RESPOND TO QUERIES FROM U.S. BUSINESSMEN SUCH AS THAT OUTLINED ABOVE, AND FORMAL VIEW TO GIVE TO PRESS WHEN WE ARE QUESTIONED ON U.S. GOVERNMENT POSITION RE U.K. PROPOSED TAX CHANGES.

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Message Attributes

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30 JUN 2005

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